

THE STATE OF TEXAS §
 §
 COUNTY OF MONTGOMERY §

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made and entered into as of the 1st day of July, 2005, by and between the City of Oak Ridge North, a Type A general law municipal corporation located in Montgomery County, Texas, (hereinafter referred to as "Lessor,") and the Southern Montgomery County Municipal Utility District, a conservation reclamation district operating pursuant to Chapters 49 & 54, Texas Water Code, also being located in Montgomery County, (hereinafter referred to as "Lessee.")

Whereas, Lessor is the owner of a certain 3.0134 acre tract of land, more or less, same also being Restricted Reserve "B," Village of Oak Ridge Grove, Amending Plat No. 1, a subdivision in Montgomery County, Texas, according to the map or plat thereof as recorded in Cabinet X, Sheets 153 and 154 and Clerk's File No. 2005013415 of the Real Property Records of Montgomery County, Texas; and

Whereas, Lessor has subdivided Restricted Reserve "B" into two new tracts, Reserve "B-1" and Reserve "B-2", according to the map or plat thereof as recorded in Real Property Records of Montgomery County, Texas; and

Whereas, Lessee desires to lease said Reserve "B-2" tract from Lessor for use by Lessee as a site for the drilling, operation, and maintenance of potable water well and other related facilities; and

Whereas, Lessor has no immediate need for additional water supply and intends to use Lessee's available excess water supply as needed as "backup" in accordance with a separate agreement;

Whereas, Lessor is willing to lease said Reserve "B-2" tract to Lessee subject to the terms and conditions contained herein; now therefore

FOR AND IN CONSIDERATION of the mutual obligations and benefits to be derived hereunder, Lessor and Lessee do hereby agree as follows:

Section 1. Lease Property. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, all of that certain Reserve "B-2" tract of land, consisting of 1.5 acres of land, more or less, located in the City of Oak Ridge North, Montgomery County, Texas, said 1.5 acre tract being more particularly described in Reserve "B-2" Exhibit "A" attached hereto and for all things made a part hereof, same being hereinafter referred to as the Property.

Section 2. Term. The Term of this Lease shall be for a period of ninety-nine (99) years, commencing the 1st day of July, 2005. Notwithstanding the foregoing, this Lease shall terminate upon abandonment by Lessee of the Property for a period of one (1) year. Failure to immediately construct the Water Supply Facilities described in Section 3 does not in and of itself constitute abandonment; provided, however, a presumption that Lessee has abandoned the Property shall be created upon Lessee's failure to construct such Water Supply Facilities within 15 years following the date hereof

Section 3. Consideration. In consideration for the Lease, Lessee shall pay to Lessor the sum of One Dollars (\$1.00) per year, and in further consideration Lessee shall:

A. Construct, drill, operate and maintain a potable water well facility on the Property (hereinafter the "Water Supply Facility"). Lessee shall be authorized to drill, operate and maintain such additional potable water well facilities on the Property as Lessee deems necessary and appropriate, subject to applicable rules and regulations of federal, state, and local governmental entities having jurisdiction thereover;

B. Provide Lessor with any available excess water supply on a price per thousand gallon basis through a metered interconnect via separate agreement to be entered into concurrently with this Lease.

Section 4. Improvement/Maintenance of the Property. Lessee shall be authorized to improve the Property by constructing such facilities and structures as necessary for the operation of the Water Supply Facility contemplated hereby; provided however, the construction, maintenance and operation of all such improvements and facilities shall be at the sole cost and expense of Lessee. Any and all of such improvements shall be regularly maintained so as to remain neat in appearance and free from defects which could reasonably be considered as a hazard to health or property. All such improvements shall be constructed and maintained in compliance with applicable rules, regulations and laws of the Lessor and other governmental entities or agencies having jurisdiction thereover.

Section 5. Insurance. Lessee agrees to maintain policies of liability insurance, showing Lessor as an additional insured, insuring against personal injury and property damage arising from use of the Property, such policies to provide coverage in amounts not less than those carried for other similar properties by Lessee. Lessee shall maintain such policies of insurance at all times during the Term of this Lease, and shall provide to Lessor upon request certificates evidencing such coverages.

Section 6. If the Lease is not extended, Lessee shall return the Property at the termination of the lease in a reasonably acceptable condition on the effective date hereof, normal wear and tear excepted. Lessee shall not allow an attractive nuisance to exist on the Property, nor shall Lessee return the Property to Lessor at the termination hereof with any attractive nuisance existing on the Property. All facilities will become the property of the Lessor.

Section 7. Condition of Property/Access/Hazardous Substances. Lessee accepts the Property "as is" in its present condition and state of repair. Lessee agrees that it will not use, generate, store or dispose of any Hazardous Material on, under, about, or within the Property in violation of any law or regulation.

LESSEE ACKNOWLEDGES AND AGREES THAT LESSOR HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE, OF, AS TO, CONCERNING, OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY, OR CONDITION OF THE PROPERTY, INCLUDING WITHOUT LIMITATION THE WATER, SOIL, AND GEOLOGY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH LESSEE MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES, OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, (F) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY, (G) THE MANNER, QUALITY, STATE OF REPAIR, OR LACK OF REPAIR OF THE PROPERTY, (H) THE AVAILABILITY OF UTILITIES, WATER, OR WASTEWATER LINE OR PLANT CAPACITY, OR (I) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY, AND SPECIFICALLY, THAT LESSOR HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES REGARDING COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION, OR LAND USE LAWS, RULES, REGULATIONS, ORDERS, OR REQUIREMENTS, INCLUDING SOLID WASTE, AS DEFINED BY THE U. S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS, AT 40 C.F.R., PART 261, OR WHETHER ANY PORTION OF THE PROPERTY CONSTITUTES WETLANDS AS DEFINED BY APPLICABLE REGULATION, OR THE DISPOSAL OR EXISTENCE, IN OR ON THE PROPERTY, OR ANY HAZARDOUS SUBSTANCE, AS DEFINED BY CERCLA, AND REGULATIONS PROMULGATED THEREUNDER. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, LESSEE IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY LESSOR. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT LESSOR HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. LESSOR IS NOT LIABLE OR BOUND

IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS, OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY AGENT, EMPLOYEE, SERVANT, OR OTHER PERSON. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN, TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE USE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" CONDITION AND BASIS WITH ALL FAULTS. IT IS UNDERSTOOD AND AGREED THAT THE CONSIDERATION FOR SUCH USE BY LESSEE HAS BEEN ADJUSTED BY PRIOR NEGOTIATION TO REFLECT THAT THE USE OF THE PROPERTY BY LESSEE IS SUBJECT TO THE FOREGOING

Lessor will lease the tract to Lessee in an "as-is" condition for use as a water well site and does not ensure the availability of water at this location.

Lessor agrees to maintain a 150-foot sanitary control easement around the well head and access across its drainage facility.

Lessor agrees to grant access across the drainage ditch from Oakhurst Drive to the Property.

Section 8. Lessor warrants that it is the owner in fee simple of the Property.

Section 9. **Quiet Enjoyment/Eminent Domain.** Lessor covenants that as long as Lessee observes the covenants and terms of this Lease, Lessee will lawfully hold, occupy, and enjoy the Property during the lease Term without being disturbed by Lessor or any person claiming under Lessor, except for any portion of the Property taken under the power of eminent domain by a party other than Lessor. In the event of any such taking by eminent domain by a party other than Lessor, Lessee shall be entitled to a prorated reduction of rentals equivalent to the reduction in the Property. Provided further, in the event any such taking of the Property by eminent domain by a party other than Lessor leaves insufficient space for Lessee to maintain the Water Supply Facilities, Lessee shall be entitled to terminate this Lease. In such event, Lessee shall have the option to remove, at its sole expense, all improvements made to the property.

Section 10. **Notices.** Except as otherwise specifically provided herein, any and all notices required or permitted under this Agreement shall be in writing and shall be deemed delivered upon personal delivery or upon mailing thereof when properly addressed and deposited in the United States Mail, first class postage prepaid, registered or certified mail, return receipt requested or when properly addressed upon deposit with Federal Express, Express Mail or other overnight courier service. Notices shall be properly addressed if addressed to the parties as follows:

If to the LESSOR:

City of Oak Ridge North
Attention: City Manager
27424 Robinson Road
Oak Ridge North, Texas 77385

Telephone: (281) 367-0727

If to LESSEE: Southern Montgomery County Municipal
Utility District
Attention: General Manager
25212 Interstate 45
Spring, Texas 77386
Telephone: 281-367-5383

The addresses for notices may be changed by written notice given to the other party as provided above.

Executed in duplicate originals as of the date provided above.



CITY OF OAK RIDGE NORTH, TEXAS

By: *Fred O'Connor*
Fred O'Connor
Mayor

SOUTHERN MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT

By: *Orval R. Love*
Orval R. Love
President, Board of Directors

Attest:

By: *A. H. Newton*
A. H. Newton
Secretary, Board of Directors

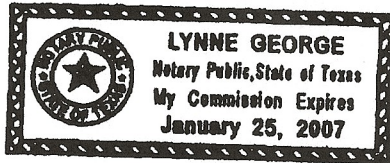
District Seal:



ACKNOWLEDGMENTS

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 19th day of July, 2005, by Fred O'Connor, Mayor of the City of Oak Ridge North, Texas.

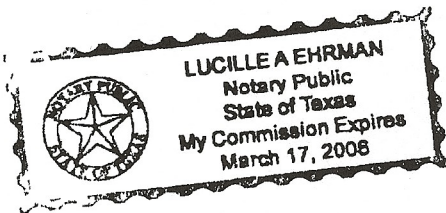


Lynne George
Notary Public In and For the State of Texas

My Commission Expires: 1-25-07

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 3rd day of October, 2005, by Orval R. Love, President, Board of Directors and A. H. Newton, Secretary, Board of Directors of the Southern Montgomery County Municipal Utility District.



Lucille A. Ehrman
Notary Public In and For the State of Texas

My Commission Expires: 3-17-06

Return to:

SOUTHERN MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT
25212 INTERSTATE 45
SPRING, TX 77386-1432

LEASE TRACT**DESCRIPTION OF A TRACT OF LAND CONTAINING
1.7040 ACRES (74,225 SQUARE FEET) SITUATED IN THE
MONTGOMERY COUNTY SCHOOL LAND SURVEY, A-350,
IN MONTGOMERY COUNTY, TEXAS**

Being a tract of land containing 1.7040 acres (74,225 square feet) situated in the Montgomery County School Land Survey, A-350 in Montgomery County, Texas, being out of and a part of Restricted Reserves "B" and "D" of Village of Oak Ridge Grove Amending Plat No. 1, a subdivision plat recorded in Cabinet X, Sheets 153 and 154 of the Map Records of Montgomery County, Texas. Said 1.7040 acre tract being more particularly described by metes and bounds as follows:

Note: Bearings are oriented to the bearing base reflected in the record plat of Village of Oak Ridge Grove Amending Plat No. 1 as recorded in Cabinet "X", Sheets 153 and 154 of the Map Records of Montgomery County, Texas:

COMMENCING at a found 5/8-inch iron rod located in the south right-of-way line of Oak Ridge Grove Drive (60 feet wide), for the northwest corner of Lot 47, Block 1 of said subdivision plat, and for the northeast corner of said Restricted Reserve "B", from which a found 5/8-inch iron rod, for the most southerly corner of Lot 44, Block 1 of said subdivision plat, bears South 37° 08' 46" East, a distance of 445.13 feet;

THENCE North 89° 16' 26" West with the south right-of-way line of said Oak Ridge Grove Drive and the north line of said Restricted Reserve "B", a distance of 63.34 feet to a set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for the northeast corner of said tract herein described, located in the southwest line of a called 50-foot wide Shell Pipeline Company easement as described in deed recorded in Volume 342, Page 252 of the Deed Records of Montgomery County, Texas and for the **POINT OF BEGINNING**;

THENCE South 37° 08' 46" East with the southwest line of said pipeline easement, a distance of 488.88 feet to a set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for the most northerly southeast corner of said tract herein described, located in the northwest line of a called 20 foot wide drainage easement as recorded in said subdivision plat;

THENCE South 35° 35' 24" West with the northwest line of said drainage easement, at 16.35 feet pass the north line of Restricted Reserve "D" and the south line of said Restricted Reserve "B" of said subdivision plat, a total distance of 64.46 feet to a set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for the most southerly southeast corner of said tract herein described;

THENCE North 69° 26' 23" West, a distance of 102.12 feet to a set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for an angle point;

THENCE North 67° 28' 42" West, a distance of 133.21 feet to set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for an angle point, located in the northeast line of said Restricted Reserve "D" and the southwest line of said Restricted Reserve "B";

THENCE North 52° 19' 23" West with the northeast line of said Restricted Reserve "D" and the southwest line of said Restricted Reserve "B", a distance of 184.10 feet to set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for an angle point;

THENCE North 21° 15' 43" West with the northeast line of said Restricted Reserve "D" and the southwest line of said Restricted Reserve "B", a distance of 31.00 feet to set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates" for the westerly corner of said tract herein described;

THENCE North 68° 44' 17" East, a distance of 129.83 feet to set 5/8-inch iron rod with

THENCE North 21° 47' 57" West with the northeasterly line of said BP Pipeline Company easement, a distance of 183.93 feet to a set 5/8-inch iron rod with yellow cap stamped "Cobb, Fendley & Associates", located in the south right-of-way line of said Oak Ridge Grove Drive and the north line of said Restricted Reserve "B", for the northwest corner of said tract herein described, said point located in a curve to the left;

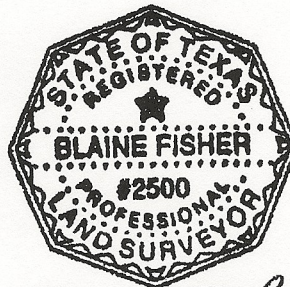
THENCE in a southeasterly direction continuing with the south right-of-way line of said Oak Ridge Grove Drive and the north line of said Restricted Reserve "B" and with said curve to the left whose radius is 330.00 feet and whose central angle is 08° 01' 08" (chord bears South 85° 15' 52" East, a distance of 46.15 feet), for an arc length of 46.19 feet to a found 5/8-inch iron rod for a point of tangency;

THENCE South 89° 16' 26" East, with the south right-of-way line of said Oak Ridge Grove Drive and the north line of said Restricted Reserve "B", a distance of 19.24 feet to the **POINT OF BEGINNING** and containing 1.7040 acres (74,225 square feet) of land.

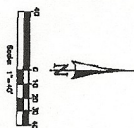
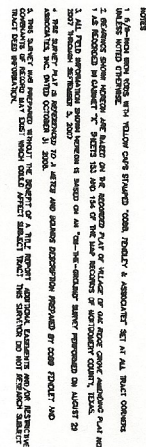
Note: This metes and bounds description is referenced to a survey drawing prepared by Cobb, Fendley & Associates, Inc. dated October 29, 2008, titled "EXHIBIT OF A 1.7040 ACRE TRACT (LEASE TRACT) SITUATED IN THE MONTGOMERY COUNTY SCHOOL LAND SURVEY, A-350, IN MONTGOMERY COUNTY, TEXAS".

Cobb, Fendley & Associates, Inc.
13430 Northwest Freeway, Suite 1100
Houston, Texas 77040
Phone: (713) 462-3242

Job No. 5110-901-01-01
October 29, 2008



A handwritten signature in cursive script that reads "Blaine Fisher".



LEGEND

■	Pedestal
→	Power Pole
*	Sign
•	Water Meter
~	Overhead Electric
✓	Water Valve
-	Gas Anchor

[illegible][illegible]

EXHIBIT OF 17040-ACRE TRACT (LEASE TRACT)
SITUATED IN THE MONTGOMERY COUNTY SCHOOL
LAND SURVEY, A-350, IN MONTGOMERY COUNTY,
TEXAS

CITY OF OAK RIDGE NORTH,
OAK RIDGE GROVE DRIV

**Cobb
Hendley
Harbo-Carr**

13430 NORTHWEST Fwy., Suite 110
Houston, Texas 77040
(713) 461-3242

MADE IN CHINA	DATE 10/21/2008	SHEET 1	OF 1	REVISED
BY JULIA	1-10-01	P.L. NO. 1032		
CHKD BY JULIA	10/21/2008	PROJECT NO. 9100-001-01-01		

WEST, Robert

FILED FOR RECORD

2009 JAN -2 PM 1:35

Mark Turnbull
COUNTY CLERK
MONTGOMERY COUNTY TEXAS

STATE OF TEXAS
COUNTY OF MONTGOMERY
I hereby certify this instrument was filed in
File Number Sequence on the date and at the time
stamped herein by me and was duly RECORDED in
the Official Public Records of Real Property at
Montgomery County, Texas.

JAN - 2 2009



Mark Turnbull
County Clerk
Montgomery County, Texas